

Message Text

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ACTION AF-08

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TAGS: EAID, EGEN, PFOR, ST

SUBJ: SAO TOME AND PRINCIPE CELEBRATES FIRST BIRTHDAY

BEGIN UNCLASSIFIED: SUMMARY: STP CELEBRATED FIRST ANNIVERSARY OF INDEPENDENCE JULY 12. IN ADDRESS MARKING OCCASION, GSTP PRESIDENT DA COSTA GAVE UPBEAT ACCOUNT OF COUNTRY'S FIRST YEAR AND OF PROSPECTS FOR FUTURE DEVELOPMENT, AND MADE CLEAR GSTP DESIRE RECEIVE APPROPRIATE EXTERNAL ASSISTANCE. EMBASSY LOOKS FORWARD TO AID VISIT LATE AUGUST AND WILL ALSO CONTINUE EXPLORE PROSPECTS FOR PEACE CORPS ROLE IN STP. END SUMMARY.

1. STP CELEBRATED ITS FIRST BIRTHDAY JULY 12 WITH STADIUM RALLY AND FOOTBALL GAME CLIMAXING THREE DAYS OF FESTIVITIES. GABONESE AND ROMANIANS MOUNTED CULTURAL EXHIBITS, ALGERIA AND SEVERAL EX-PORTUGUESE TERRITORIES SENT SPECIAL DELEGATIONS, AND ACCREDITED DIPLOMATS ATTENDED FROM LIBREVILLE AND BRAZZAVILLE (SOVIETS AND EAST GERMANS FROM LATTER).

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2. HIGHLIGHT OF OCCASION WAS HOUR-LONG ADDRESS BY

PRESIDENT MANUEL PINTO DA COST AT JULY 12 STADIUM RALLY, IN WHICH HE ACKNOWLEDGED COUNTRY'S ECONOMIC DIFFICULTIES (LOWERED AGRICULTURAL PRODUCTION, BALANCE OF PAYMENTS DEFICIT, SHORTAGES OF TRAINED MANPOWER) BUT GAVE GENERALLY OPTIMISTIC REPORT ON STATE OF ECONOMY AND ITS FUTURE PROSPECTS. PRESIDENT PROMISED DEVELOPMENT OF AGRICULTURE (BOTH EXPORT AND FOOD CROPS) AS TOP PRIORITY, BUT ALSO ANNOUNCED GSTP INTENTION OF EXPANDING FISHERIES AND OF DEVELOPING NEW SMALL-SCALE INDUSTRIES.

3. PRESIDENTIAL ADDRESS INCLUDED EXPRESSION OF APPRECIATION TO AID DONORS, OF WHOM CHINESE AND KOREANS WERE MOST PROMINENT. FORMER INCLUDE MEDICAL TEAM AND AGRICULTURAL TECHNICIANS WORKING ON RICE PROJECT, WHILE LATTER ARE HELPING WITH OPERATION OF EXISTING SMALL INDUSTRIES AND PLANNING FOR OTHERS. LIST OF COUNTRIES WHICH HAVE SENT DELEGATIONS "IN CONTEXT OF COOPERATION" INCLUDED US, PRESUMABLY IN RECOGNITION OF INDEPENDENCE GIFT AND SUBSEQUENT AAI VISIT.

4. FULL DETAILS OF SPEECH AND COMPLETE PORTUGUESE TEXT FOLLOW BY AIRGRAM. END UNCLASSIFIED BEGIN LIMITED OFFICIAL USE

5. COMMENT: DESPITE DA COSTA' UPBEAT TONE, BOTH RESIDENTS AND VISITORS AGREE THAT STP ECONOMY REMAINS IN PRECARIOUS SHAPE. PLANTATIONS, WHICH PROVIDE BULK OF AGRICULTURAL OUTPUT (AND THUS OF EXPORTS WHICH EARN FOREIGN EXCHANGE), HAVE NEVER RECOVERED FROM DISRUPTION ATTENDANT ON FLIGHT OF PORTUGUESE MANAGERS AND SUBSEQUENT NATIONALIZATION DECREE. VISIBLE ACTIVITY ON PLANTATIONS REMAINS LOW, AND COCOA PRODUCTION HAS DROPPED TO FIFTY PERCENT OF PRE-INDEPENDENCE LEVEL. WITH FOREIGN EXCHANGE SCARCE, STORES ARE NEARLY EMPTY OF GOODS, IN TURN REDUCING INCENTIVES FOR HARD WORK ON PART OF POPULATION.

6. THUS FAR, EXTERNAL AID DONORS HAVE CONCENTRATED ON TECHNICAL ASSISTANCE, WITH GOAL OF KEEPING ESSENTIAL SERVICES GOING AND BEGINNING PROCESS OF AGRICULTURAL REVIVAL AND DIVERSIFICATION ON WHICH FUTURE PROSPERITY LIMITED OFFICIAL USE

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WILL DEPEND. THERE HAS BEEN NO SIGNIFICANT INFUSION OF CAPITAL TO COMPENSATE FOR LACK OF FOREIGN EXCHANGE, AND NO LOCAL EVIDENCE THAT SUPPLIER CREDITS FROM PRC AND ANGOLA ANNOUNCED BY DA COSTA IN HIS ADDRESS HAVE MADE ANY IMPACT. INDEED, UNDP EXPERTS FEEL THAT CAPITAL NOT REALLY USEABLE UNTIL PROJECTS HAVE BEEN MORE FULLY DETAILED AND PERSONNEL TRAINING ASSURED, WHICH IS PRIORITY TASK THEY ARE TACKLING IN EDUCATIONAL AND

AGRICULTURAL SECTORS.

7. UNDER CIRCUMSTANCES, REAL ECONOMIC RECOVERY APPEARS LIKELY TO BE SLOW PROCESS, AND TO REMAIN DEPENDENT FOR SEVERAL YEARS ON EXTERNAL HELP IN FORM BOTH TECHNICAL ASSISTANCE AND CAPITAL INPUTS. GSTP HAS MADE CLEAR OVER PAST YEAR ITS READINESS TO WELCOME SUCH HELP FROM ALL SOURCES, AND DA COSTA IN HIS BIRTHDAY ADDRESS WAS AT PAINS TO REINFORCE IMAGE OF MODERATE, PRAGMATIC, RELATIVELY NON-IDEOLOGICAL REGIME PREPARED TO WORK WITH DONORS OF ALL POLITICAL AND ECONOMIC PERSUASIONS.

8. AGAINST THIS BACKGROUND, AID VISIT PLANNED FOR LATE AUGUST APPEARS MOST TIMELY. EMBASSY LOOKS FORWARD TO WORKING WITH AID IN DEVELOPING SUITABLE PROGRAM FOR STP, AND WILL ALSO CONTINUE EXPLORE PROSPECTS FOR PEACE CORPS ROLE EITHER ON STRAIGHT BILATERAL BASIS OR IN CONTEXT UNDP PROGRAMS. STEIGMAN

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